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THE EFFECT OF A COMMUNIST-DOMINATED CHINA ON OTHER AREAS OF THE FAR EAST

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SUMMARY

The emergence of a predominantly Communist China will have the following general effects on the rest of the Far East:

1. It will tend to intensify the polarization of political developments within each country, resulting in a lessening of the influence of middle-of-the-road political parties and the potential subordination of liberal labor-union policies and liberal social and economic programs to totalitarian controls.

2. It will increase the risk that Communist elements may seize effective control of historically developed movements for social reform and for political and economic independence that had their origin in the relations of the indigenous people with the Western democracies during the past century.

3. It will promote the formation of popular front political, economic, and social organizations under Communist guidance.

The nature of the effect will vary in form and intensity. The effect will probably be more profound and far-reaching in the immediate future in Korea and Indochina than in the other areas, since the Communist movements are stronger there. Reactions in Malaya, while they will undoubtedly be kept in bounds by superior force for the immediate future, will be potentially far-reaching because of the relatively large size of the Chinese population in that area. The Philippines, Japan, Indonesia, and Siam are in a better position to control Communist activities and will continue to be so if economic conditions improve and progressive social and economic policies are adopted or, as in the case of Japan, are continued in effect.

The end of the civil war in China will make more accessible that country's resources. If these resources are made available to Japan, they will contribute greatly to economic recovery and political stability not only in that country but also, indirectly, in other countries with which Japan trades. Japanese and Chinese Communists will probably take advantage of that potential to further their common political objectives. If the Chinese Communists do not restrict trade with Japan at the outset, they will probably seek to use trade as a bargaining weapon once it is well established, to achieve political objectives that they and the USSR presumably hold in common with respect to Japan and the rest of the Far East.

THE EFFECT OF A COMMUNIST-DOMINATED CHINA ON OTHER AREAS OF THE FAR EAST

I. JAPAN

A. Political Effect

The effect of the recent Chinese Communist military successes upon conservative circles in Japan is indirectly reflected in a reported statement by Premier Yoshida on November 3. He asserted that "Japan envisages without any anxiety the possibility of a total (seizure) of China by the Communists..." because it believes that the Chinese Communists will soon become as nationalistic and anti-foreign as any previous regime and, as a consequence, Japan's relations with China will remain substantially the same as they were in the prewar period. However, his equanimity in the face of these developments, which has not been shared by portions of the press in Japan probably stemmed from the hope that the US would be led to concentrate more money and energy upon building Japan up into what he called a "bastion of democracy in the Far East," a development that he said he would be "delighted" to see come about, presumably under conservative auspices. He added that Japan still desires an early peace treaty but sees no way of achieving that "under present circumstances."

Yoshida's statement probably reflects the views of conservative political, economic, and financial circles and also of the ultranationalistic and ex-military elements suppressed by the occupation authorities. They may well see in developments in China an assurance of the ultimate restoration of Japan to the role of a major power under Western auspices.

The Chinese Communist advances have undoubtedly contributed to increasing support of the conservatives, as evidenced in the elections to the Diet on January 23, thus strengthening their position in the political and economic life of the nation. This will result in a weakening of the influence of middle-of-the-road Democratic and Socialist Party elements, who lost heavily in the election, and consequently the influence of the medium and small-size entrepreneurs, independent farmers, and labor unions upon which these parties built their strength. In an effort to maintain their position, they have apparently given their political support either to the extreme right or extreme left. In the long run, therefore, the effect of a Chinese-dominated China will be to polarize further the Japanese economic and political worlds.

The reaction of NOZAKA Sanzo, the Yenan Communist leader of Japan, to the Chinese Communist successes was, in effect, that Japanese Communists should follow the Mao Tse-tung line. Mao's tactical policy calls for cooperation with land-owning peasants, with tenants who are to be granted land, and with petty bourgeoisie (as opposed to monopoly capitalists); support of a labor movement; support of coalition political regimes behind a "common front"; and emphasis on parliamentary, legal maneuvers and subordination of violent revolutionary tactics. TOKUDA Kyuichi, the Secretary General of the Communists Party, likewise has hailed the successes of the Chinese Communists and asserted that their policies are "correct." This would not be a wholly new line for the Japanese Communist to take, but, with the polarization of political forces in Japan, they probably anticipate that it will meet with greater success

than it has to date.

Aiding and abetting these reactions to Chinese Communist successes will be the urge to restore trade relations with a developing Communist-dominated northeast Asiatic economic bloc. With the restoration of peace in North China and Manchuria and the opportunity which that development will afford for the restoration of a prewar patterns of trade, there will arise strong pressures in Japan to resume trading relations. The prospect of reestablishing normal trade relation with a peaceful, even though Communist-dominated China, has already intensified the drive for a peace treaty in Japan.

The political consequences of the establishment of a unified China under dominant Communist control may be summarized as follows:
First, it will tend further to polarize economic and political forces in Japan at the expense of middle-of-the-road elements, resulting in a strengthening of the extreme right and left and a sharpening of ideological and political struggles. Second, under conservative leadership, which will be the first to benefit, latent Japanese nationalism and chauvinism will tend to assert itself, with a consequent desire to recover full sovereignty and equality in world affairs. Taking advantage of the strained relations between the US and the USSR, conservative leaders will seek to reestablish themselves internationally by playing one government off against the other, hoping thereby to build up a strong defense force, They will, moreover, seek markets wherever they can find them. For the immediate future, until they have achieved economic recovery and built up a defense force, they will lean on American support and rely on the US for

defense. Banking upon the traditional conservativism of the majority of the people and fear of the USSR and of Communism, they probably anticipate that they can succeed in suppressing left-wing forces under Communist influence if they are permitted to build up an adequate police and defense force.

The conservatives, however, may find the road to recovery of their control of the government difficult in the absence of a large standing army, the secret police, the gendarmerie, and the police upon which their prewar position rested. The rapidity with which the labor movement and the Socialist Party, as well as the Communists, expanded their influence under the occupation is not to be attributed entirely to the democratization policies of SCAP. These forces have roots going back to the 1920's and were effectively curbed only in the 1930's, a period of semi-war psychology, expansion of the army, and strengthening of the police arm of the state. Their revival under the favorable occupation conditions should not lead to the assumption that they lack roots and will easily be suppressed. Efforts at suppression may lead to consolidation of left-wing movements under Communist guidance on a mass popular front basis. There are indications that this trend is already under way.

Finally, from the international point of view, Chinese Communist successes will serve to reinforce the drive on the part of the USSR for an early peace treaty in order to remove SCAP's control and afford the Japanese Communists, aided by China and the USSR, a freer hand in the post-treaty period. Should representatives of a Communist China take a place in the United Nations and the Far Eastern Commission, the possibility of the Japanese Communists' securing the kind of peace treaty they

have been seeking will be enhanced.[1] The drive for an early peace treaty will gain increased support from the Left if the US henceforth pursues a policy designed to consolidate the position of the conservatives. The Japanese conservatives will reconcile themselves to a continuation of the occupation, particularly if it becomes clear that SCAP is assisting them in consolidating their hold over the country and there is an opportunity to build up the police force and ultimatley an army or constabulary, which they will need to maintain their position.

However, it would be naive to assume that the conservatives will remain a passive instrument for achieving American objectives in the Far East. If they succeed in consolidating their control after a treaty is signed, they will be ready to gamble on their own skill in pursuing an independent foreign policy, which will not necessarily be in accord with either American or Soviet objectives.

B. Economic Effect

The prospect of peace in China even under Communist control can improve the prospects for Japan's economic recovery when trade is reestablished. It has become increasingly clear that Japan is not likely to achieve a self-supporting economy without continued, if not increasing, US aid unless trade with northeastern Asia, particularly China and Manchuria, can be restored. The following discussion will indicate the economic advantages of such trade to China, Japan, and the US and is based on the assumption that political factors will not prohibit or

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1. See OIR-4794, November 1, 1948.

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seriously restrict that trade. From a strictly economic point of view, the USSR is unlikely to have very much interest in China's raw materials, except for soybeans. Nor could it supply either capital or consumers' goods to China without sacrifice of its own domestic economy.

Japan's prewar trade with China and Manchuria not only constituted a large percentage of its total trade but was also, because of its nature, of critical importance to Japan in the maintenance of its industrial economy. For example, in 1936 Manchuria and North China supplied almost 65 per cent of Japan's imports of coal. They also supplied 72 per cent of Japan's total imports of soybeans, 47 per cent of its imports of oil-bearing materials, and 30 per cent of its pig iron imports. Japan was also heavily dependent upon these countries as markets for its exports of manufactured goods.

The importance of Japan in the prewar foreign trade of China and Manchuria and, by contrast, the limited scale of that trade in 1947 are shown in Table 1.

This trade was even more important to Japan, not only because of the additional payments received from its shipping receipts but also because much of the trade with Korea, (listed in Table 2,) was in the form of re-imports and re-exports from and to China.

Since the war, shortages of food, coking coal, and iron ore and limited markets for Japanese exports have been major hindrances to Japan's economic recovery. Such raw materials as have been made available to Japan have been procured for the most part from non-Asiatic areas, largely at high dollar costs, and from countries that have not absorbed and are unlikely in the near future to absorb Japanese exports in quantities re-

Table 1. TRADE OF CHINA AND MANCHURIA WITH JAPAN AS COMPARED WITH TOTAL TRADE, 1936 AND 1947[a]
(Values in 1,000,000 US dollars)

A. 1936

	Exports			Imports		
	Total	To Japan	Percentage of Total to Japan	Total	From Japan	Percentage of Total from Japan
China[b]	262.8	36.5	13.9	363.7	62.9	17.3
Manchuria	174.8	68.9	39.4	200.6	147.1	73.3
Formosa[c]	112.5	101.3	90.0	84.9	68.1	80.2

B. 1947

China[d]	217.3	4.9	2.3	600.0	6.2	1.0
Hongkong	304.2	3.8	1.2	387.5	9.2	2.4

a. Data are based on official trade returns reported to the US Department of Commerce except where otherwise indicated. Data given in the local currency of each country have been converted to dollars when possible on the basis of the average exchange rate for the year.
b. Includes Hongkong trade.
c. Reexports and reimports have been excluded as far as feasible.
d. Includes Manchuria and Formosa. Also includes UNRRA imports.

Table 2. TRADE OF JAPAN WITH NORTHEAST ASIA, 1936
(Values in 1,000 US Dollars)

Country	Imports	Exports
Korea	150,234	187,896
South China	3,625	1,044
North China	20,192	17,437
Central China	21,083	27,840
Manchuria	69,430	144,427
Sakhalin	34,636	15,594
Total Northeast Asia	299,200	394,238
Other areas	791,217	660,926
Total trade	1,090,417	1,055,164

quired to balance its international accounts.

It is believed that the cessation of hostilities in Manchuria and North China could soon make available for world markets sizable surpluses of soybeans, other oil-bearing materials, coking coal, wool, and hides. Extension of Communist control into Central China should release at least some iron ore. It is also probable that these surpluses could soon be moved from inland areas to ports for delivery abroad.

Early resumption of trade between Japan and China would permit the exchange of these raw materials for export goods that could be made available from Japan and this could help break the present cycle of circumstances retarding Japan's recovery. Given China's coking coal and iron ore, Japan's steel industry could economically expand without excessive rehabilitation to a level of 5 million ingot tons. In calandar 1947 ingot steel production in Japan was only about 900,000 metric tons, but capacity exists for approximately 8 million tons and September 1948 ingot production was up to a rate of nearly 2 million tons per year. Japan's machinery industry could keep pace with the expansion and if the necessary basic steel and other metals were available, would be capable of producing capital goods for export in sufficient quantities to meet the capital import requirements of China without diverting such exports from Indian and other South Asian markets.

The resumption of bilateral trade with China is, of course, no panacea for all of Japan's economic problems. Food, raw cotton, and petroleum are major import requirements for Japan. With the exception of small quantities of food, China can supply none of these items. Japan,

therefore, will continue to depend on other sources of supply for these essentials, which represented over 50 per cent of the value of its imports in 1936 and approximately 80 per cent in 1947. The need to obtain foreign exchange to pay for these imports will in turn force Japan to attempt to sell its exports in markets that can supply suitable currencies. Until food surpluses become available in Southeast Asia or elsewhere in the Far East, it seems likely that Japan will continue to depend heavily upon the United States. There is, furthermore, little likelihood that Japan's major dependence on the US for raw cotton will lessen.

A question of interest to the US is whether the partial orientation of Japan's trade to the Communist bloc in northeast Asia would eventually result in such complete dependence as to change Japan's political and strategic orientation. Should food, petroleum, and other essentials eventually become available at favorable terms, from Chinese or other Communist sources, Japan might be pulled in to the Communist bloc. Maximum Japanese exploitation of Indian and Southeast Asian markets is essential if Japan is to develop a trade pattern sufficiently diversified and interdependent to withstand a possible economic boycott by China. If means for payment are made available, the larger portion of Japan's exportable heavy equipment and machinery could be sold in India. Sizable quantities of light equipment and consumers' goods would also be available for sale to other Southeast Asian countries. If increased food production in Southeast Asia provides an alternative source of food for Japan and if Japan's trade with the rest of Asia and with the West grows commensurately

orientation toward the Communist bloc would be a matter of choice rather than compulsion. If Chinese coal and ore were made available to Japan in unlimited quantities, and if the demand for finished products warranted it, Japan might seize the opportunity to increase its production of ingot steel to a level approaching or exceeding its wartime peak of almost 8 million tons. At that time, perhaps ten years hence, the abrupt denial of Chinese coal and ore could create a serious economic crisis for Japan that might result in political alignment with the Communist bloc. By that time, however, if Japan has been successful in its exploitation of Southeast Asian markets, ore, coal, and perhaps pig iron and steel could be purchased from other sources and fabricated for export profitably.

The US would stand to gain directly from Japan's resumption of trade with China in terms of increased prospects for Japanese economic recovery and self support. Japan's imports from China since the war have been valued at less than 20 million per year. It is estimated that resumption of trade between Japan and China would increase the value of such imports from about $110 million in 1950 to $245 million in 1953.[1] Apart from the stimulus that increased imports at these levels would give to the rehabilitation of Japan's industries, the sale of at least an equal value of exports to China would help Japan meet the serious problem resulting from its inability to export to countries from which it obtains its raw materials and foodstuffs.

In summary, therefore, it is probable that resumption of trade with

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1. Values are October 1948 prices.

China could reduce significantly Japan's present dependence on non-Asiatic sources of supply for industrial raw materials and some foodstuffs, could provide Japan a much-needed breathing space before the development of better trade conditions for Japan in Southeast Asia, and at the same time would facilitate Japan's economic recovery and make possible a reduction of American aid to that country. Moreover, should such American assistance as may be given to Southeast Asia and India be aimed toward increased agricultural productivity and industrial development, it would serve the dual purpose of consolidating American interests in that area and providing insurance not only for Japan's future economic independence but also for that degree of regional economic stability essential for the maintenance of political independence throughout the Far East.

II. SOUTH KOREA

Continued Communist successes in China can only increase the geographic, ideological, economic, and political isolation of the South Korean government sponsored by the US. The effects of this isolation upon the stability of the new Republic of Korea and upon the attitude of its government and people toward the US and toward its Far Eastern neighbors would make it more difficult for the US to carry out its policy of establishing an anti-Communist, self-governing, representative democracy in Korea on a sound economic base.

The loss of American prestige in Korea, and in the whole Far East, that will result from the fall of a regime in China that has long received American backing is obvious. Furthermore, in international conferences affecting Korea in the future, the US will be denied the sure support hitherto given to its policies by the Chinese representatives. Even should a vestige of the Nationalist Government continue, its support of the American position will count far less and will also be tempered by the need to hedge its views with an eye to continuing its existence through compromise, conciliation, or coalition.

Communist control of China will deprive the government in South Korea of the moral and political backing it has been receiving from China. Koreans have traditionally been affected by Chinese governmental theories. Many Koreans now in positions of authority or influence in the south were exiles in Nationalist China during the Japanese occupation of their homeland and, since 1945, Chinese policy has encouraged the establishment in

Korea of an anti-leftist government such as that set up in August 1948. Even the threatened loss of an ally in Nationalist China already has had a bad psychological effect upon the government and people of South Korea. Such developments as the formal establishment and recognition by the USSR and its European satellites of the North Korean regime, the leftist infiltration of the south as demonstrated in the Yosu revolts, and the Korean belief in the imminence of withdrawal of American troops have also contributed to engendering defeatism and a lack of confidence in the South Korean leaders. This attitude, when coupled with the intra-governmental rivalries and with popular dissatisfaction with governmental appointments and operations to date, has increased the separation of government from the people, contributed to making the government's position indecisive and weak, and fostered a defeatist attitude in the popular mind.

A few leaders in South Korea have recognized that the establishment of close ties with Japan offers a way of lessening the growing isolation of South Korea, but such a policy would run counter to the basic Korean nationalism and deep anti-Japanese feeling. These Nationalist and anti-Japanese attitudes are sure to be magnified by any future efforts on the part of the US to compensate for loss of influence in China by building up Japan and will further alienate from popular support those South Korean leaders who advocate such a policy.

Under these circumstances, therefore, the main prop to the government in South Korea is the US, and, since continuance of the Republic of Korea now appears to depend largely upon this prop, it may be expected

that henceforth the Koreans will examine the actual strength of that support with increasing suspicion. Any indication that the economic and political backing given by the US to the government in South Korea is of a token or temporary nature and subject to abandonment by executive or legislative whim will lead all but the most ardent anti-Communist Koreans to temper their philosophy and actions with a view to future existence under what they will view as inevitable Communist control. There is already in South Korea a recurrent rumor, given credence by the seeming inability of American aid to China to stem the Communist tide there, that the US has abandoned its plans to fight the Soviet-sponsored Communist bid for power in the Korean peninsula.

The Communist successes in China may also be expected to affect adversely the hopes of the Republic of Korea to encourage private investment by foreign and domestic entrepreneurs as part of its rehabilitation program for South Korea. Present and future trade with China, also a factor in Korean rehabilitation, may possibly be obstructed by a Communist Chinese Government or perhaps manipulated by it through support of the North Korean economy in order to achieve political objectives.

There remains the augmented military threat from North Korea that will arise from peace in Manchuria and North China and the return to North Korea of those battle-tested units of Koreans who have been fighting with the Chinese Communists. That this threat is realized in South Korea is attested by the action of the Korean National Assembly in passing a resolution acknowledging the need for American troops to remain in Korea until the national defense forces in the south are sufficiently strong to

protect the area. The fact that American forces remain in Korea at the request of a sovereign government does not deter Moscow and the North Korean regime from accusing the US of having imperialistic designs in Korea. Propaganda based on that accusation has the effect of undermining confidence in and support of the Korean government.

III. SOUTHEAST ASIA

It is probable that some prominent anti-Communist leaders and businessmen will flee from China to Southeast Asia, particularly to Singapore and Bangkok. From there they could organize, with the help of the local Chinese communities, both underground resistance to and propaganda against the Chinese Communist government. In their effort they might receive separately at least tacit support from the Siamese, Malaysian, French, and Dutch Governments. Meanwhile, the Communist Parties in Malaysia and Siam, which are predominantly Chinese, would be strengthened by funds, personnel, propaganda materials, and moral encouragement. Thus both Chinese Communist activities and Chinese opposition to Communism would be intensified in the area.

The conservative elements among the Chinese will possibly have little influence as many among them still have family ties, business contacts, or assets in China and thus subject to Communist pressures; many may be motivated primarily by a desire to maintain a joint Chinese front against local anti-Chinese measures; and many will probably retain a degree of patriotic identification with their native country. The extent of opposition to Chinese Communist influence among Chinese business groups, as well as among other Asians, may well depend on their estimate of the strength of Chinese Communists as compared with the likelihood that the Western democracies, and particularly the US, will give adequate political, economic, cultural, and even possibly military support to the peoples of the area.

premier, Phibul Songgram, has been more outspoken in his anti-Communism than any of the various potential premiers, and although rumors of coup d'etat are endemic in Siam, there is little likelihood of a change of premiers -- or, even in the event of a new premier, of a change in policy. It is possible that the emergence of a Communist dominated China, with a concomitant increase in the activities of local Chinese Communists, would actually strengthen reactionary elements in the Siamese Government and aggravate anti-Chinese sentiment in the country.

The recent move by British government officials from Malaya to strengthen Siamese armed forces and to reach a common position on future action against Communism promises to reinforce the Siamese in their own stand. Further, this move by the British may not only strengthen the present Siamese Government but also make it less hesitant in opposing Chinese interference and firmer in its dealings with Vietnamese elements.

C. Malaysia

Malaysia[1] which has relative to its total population, the largest resident Chinese group in Southeast Asia, might be expected to be the most vulnerable area to Chinese Communist influence. Malaya's large Chinese laboring groups in the mines, plantations, and at the docks offer a fertile field for Communist agitation, and have for many years been the objective of Communist influence in the area. The Malayan Communist Party is led by Chinese, and 90 per cent of its members are Chinese. Its influence does not extend to North Borneo.

1. The term "Malaysia" as used here includes The Federation of Malaya, the colony of Singapore, Brunei, and the colonies of North Bornea and Sarawak.

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The effectiveness of the Malayan Communists is severely limited by several counterbalancing factors. The British are engaged in a military campaign to wipe out Communist political influence as well as endemic banditry. By the fall of 1948, their campaign seemed assured of military success. The military effort, with concomitant arrests, prohibition of suspect organizations, and disruption of peripheral left-wing groups, has for the time being at least virtually removed effective Communist organizations from Malaya. British military strength in Malaya is sufficient to cope with any local problems.

However, sharpened rivalries between Chinese and Malays for political control in Malaya and intensification of nationalist aspirations, if allowed to get out of control, would create a situation in the future susceptible to Communist influence. It must also be remembered that Chinese business interests in Malaya have a tendency to play both sides in a conflict if there is any uncertainty in their minds which side will win. If they were convinced, therefore, that Asia would be a Communist preserve no matter what their stand, they would give undercover financial support to Communist groups and would refrain from public support of anti-Communist groups. This would be particularly likely if they noted that business interests were permitted to operate profitably in China.

D. Indonesia

Now that negotiations have failed and the Republic of Indonesia has been temporarily eliminated as an effective political entity, Communist leaders will find it easier to appeal to extreme nationalists

throughout Indonesia. Chinese Communist successes will afford them psychological and perhaps eventual material support in attaining their objectives. A Dutch-controlled Indonesia could be expected to inaugurate fairly rigorous anti-Chinese and anti-Communist controls, and local Communists would consequently resort to covert sabotage tactics.

The polarizing of political developments that may characterize the Chinese situation throughout Southeast Asia would have a particularly sinister quality in Indonesia, since unsatisfied national aspirations would make recruits for Communism and two Asiatic peoples would find themselves in alliance against a small and impoverished European nation. On the other hand, an autonomous Indonesia assured of tangible support from the Western democracies would probably be in a position to offer effective resistance to Communism.

E. The Philippines

The Philippine Government would undoubtedly enact anti-Chinese legislation, including rigorous exclusion laws. In view of the current trend toward economic nationalism in the Philippines, it is possible that the terms of some of this anti-Chinese legislation may be directed against all alien business interests and thereby affect American interests as well as Chinese. Furthermore, the Philippines would presumably expect additional military and financial support from the US in return for a firm position against a Communist China. Like Japan, the Philippines is showing signs of using its bargaining position for these purposes.

If Laurel is elected in 1949, the Philippine Government can be expected to maintain its anti-Communist stand but to adopt a more in-

dependent and possibly pan-Asiatic international position. Since Laurel's support comes partly from left-wing elements, he might be somewhat inhibited in clamping down on Communist elements in the labor movement.

F. Southeast Asia

The direct economic effect of a Communist state in China upon Southeast Asia would be small as compared with its political effect. China's trade with Southeast Asia has consisted of the exchange of minor consumers' goods and textiles for some rice, rubber, and sugar. It has never constituted a significant percentage of either China's trade or the trade of the southern countries. Much of the trade that has existed has been carried in small local craft. Presumably this latter form of exchange would continue, largely through inability to control it. Indirectly, in the degree to which restored trade between China and Japan revived the Japanese economy it would stimulate Japanese trade with Southeast Asia.

Remittances from Chinese business circles in Southeast Asia to China (US $50 million in 1936) would probably drop off and thus might furnish capital investment for small local industries and commercial enterprises. Presumably the anti-Communist businessmen coming from China's coastal cities to Southeast Asia might bring new capital as well as business talent. However, the total amount that would be made available for investment in the area would be relatively small in relation to the total capital needs.

The emergence of a Communist-dominated China will underscore the

political and economic issues that have remained unresolved since the end of World War II and thereby intensify the need for constructive policies on the part of the Western democracies to counter the unrest on which increasingly powerful Communist elements in China will be able to play.

IV. CONCLUSIONS

The emergence of a predominantly Communist China will have the following general effects on the rest of the Far East:

1. It will tend to intensify the polarization of political developments within each country, making more destinct the cleavages between the Right and Left and resulting in a diminution of the influence of middle-of-the-road political parties and enhancing the possibility of the subordination of liberal labor union policies and liberal social and economic programs and policies to totalitarian controls.

2. It will increase the risk that Communist elements may secure effective control of the historically developed movements for social reform and for political and economic independence that sprang out of the relations of the indigenous peoples of the region with the Western democracies and that World War II intensified.

3. Where the Communist Party is not outlawed legally, it will promote the formation of popular front political, economic, and social organizations under Communist guidance aiming at progressive domination of the countries involved.

4. Where the Communist Party may be outlawed or suppressive tactics employed, it will lead to increased sabotage and uprisings. In view of the strength of the indigenous movements for political independence and social and economic reform, it is not within the realm of probability that negative policies of suppression alone can be an effective answer to Asiatic Communism.

While in domestic policies the Asiatic Communists have adjusted their tactics to meet divergent conditions, they have maintained foreign policies and attitudes in harmony with those of the Kremlin. This situation will probably continue.

The nature of the effect will vary in form and intensity from country to country. The reaction will be more profound and far-reaching in the immediate future in Korea and Indochina than in the other areas, since the Communist movements are stronger there. Reactions in Malaya will be potentially far-reaching because of the size of the Chinese population in that area. The Philippines, Japan, Indonesia, and Siam are in a better position to control Communist activities and will continue to be if economic conditions improve and progressive social and economic policies are adopted or, as in the case of Japan, are continued in effect.

The end of the civil war in China can open up the resources and trade of the country to the benefit of the rest of the Far East. The Japanese and Chinese Communists will probably take advantage of that potential to further their common political objectives. If the raw materials of China are made available once again to Japan, they will hasten the recovery of Japanese industry and trade and will, therefore, contribute not only to the achievement of the goal of self-support for Japan but also to the recovery and development of the rest of the Far East, thereby weakening the appeal of Communism among the peoples of Asia. To the degree to which Japan's trade with Southeast Asia and India, as well as the rest of the world, is increased in the years ahead, Japan will be less dependent upon trade with Northeast Asia, with the resultant greater prospect of keeping the country within the anti-Communist bloc.